

# City of Nondalton

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## Assessment of Management Capacity Indicators

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Department of Commerce, State of Alaska  
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# Introduction

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The City of Nondalton report was by Rural Utility Business Advisor program staff Roberta Eleazer as a requirement for a proposed grant-funded sanitation project. The report was completed with the voluntary assistance of the utility staff and based on information provided to the RUBA program. Specific documents provided by the utility staff are in the Anchorage regional office regional office for viewing if requested.

The goal of the RUBA Program is to help small communities implement utility management practices that will improve the utility's ability to provide safe drinking water to their communities on a sustainable basis. The RUBA assessment evaluates essential and sustainable indicators necessary for the managerial and financial health of the utility. These indicators are organized under the following sections:

- Utility Finance
- Accounting Systems
- Tax Problems
- Personnel System
- Organizational Management
- Operation of Utility

*Essential Indicators* identify policies and practices that are critical to the short-term operation of a utility. *Sustainable Indicators* identify policies and practices that make a utility cost-effective to operate and increase the likelihood of long-term financial success.

The Essential Recommendations are limited to those items needed to meet deficient essential indicators. Only the essential indicators are required to be met under the grant conditions. The Sustainable Recommendations are intended to improve cost effectiveness and sustainability of the utility.

The City of Nondalton operates and manages the following utility services:

- Water treatment and distribution
- Wastewater collections
- Landfill facility

# Capacity Indicators

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On 4/8/2014, RUBA staff Roberta Eleazer met with City of Nondalton staff to complete a RUBA Assessment of Management. City of Nondalton staff provided documentation supporting the conclusions in this report. Specific documents used in this report included:

- Fee Schedule for Equipment, Utility Charges & Deposits, Gravel Sales and Delinquent Fees and Penalties
- City of Nondalton Organizational Chart
- Residential Utility Service Agreement
- The City of Nondalton Repayment Agreement
- Registration Agreement for Operator Training
- City of Nondalton Budget Appropriations Ordinance
- FY14 Proposed Budget
- City of Nondalton Profit & Loss Budget Performance from February 2014
- City of Nondalton Balance Sheet from February 2014
- City of Nondalton Chart of Accounts

## Finances

### **Essential Indicators**

**Yes**   **No**

- |                                     |                                     |  |
|-------------------------------------|-------------------------------------|--|
| <input type="checkbox"/>            | <input checked="" type="checkbox"/> | All revenues and expenses for the utility are listed in the utility budget.                                      |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | The utility has adopted a balanced realistic budget.   |
| <input type="checkbox"/>            | <input checked="" type="checkbox"/> | Monthly financial reports are prepared and submitted to the policy making board.                                 |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | The utility is current in paying all water/wastewater electric bills.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | The utility has on hand a year's adequate fuel supply or it has a financial plan to purchase an adequate supply. |
| <input type="checkbox"/>            | <input checked="" type="checkbox"/> | The utility is receiving revenues (user fees or other sources) sufficient to cover operating expenses.           |

## Sustainable Indicators

Yes No

- The utility is receiving revenues (user fees or other sources sufficient to cover operating expenses and Repair & Replacement (R) costs.
- YTD revenues are at a level equal to or above those budgeted.
- YTD expenditures are at a level equal to or below those budgeted.
- A monthly manager's report is prepared.
- Budget amendments are completed and adopted as necessary.

The City of Nondalton has an authorized budget of revenues and expenditures for the period of July 1, 2013 through June 30, 2014. The FY14 budget was adopted by a duly-constituted quorum of the City of Nondalton, Alaska, June 11, 2013. The utility portion of the budget does not identify any payroll expenses for the office staff that spends a portion of the month engaged in utility business. RUBA recommended a percentage of the salaries of the administrator, assistant administrator, utility clerk and accountant is included in the utility department expenses. The annual budget has not been inputted into QuickBooks. A profit and loss statement for the landfill, water and wastewater services is supplied monthly to council members; however; the YTD budget and annual budget columns are blank. It is not clear if the council members are tracking the actual revenue and expenses. The utility has an adequate fuel supply. Fuel is flown in every two months at an average cost of between five to seven dollars per gallon. The city resells the fuel at a net profit of one dollar per gallon. The utility is not receiving revenues sufficient to cover operating expenses. Because the utility system is running 24 hours a day, actual expenses exceed the FY 2014 budgeted expenses by \$15,000. The City of Nondalton is currently participating in a water rate study to set service rates. Revenues from commercial customers are not consistent; there is a lodge within the city boundaries which accommodates 40 guests per day during the months of June-September. The lodge pays the current commercial rate of \$120 per month for water/wastewater and \$800 per month for solid waste. There is a bed and breakfast within the boundaries, which has the capacity for eight guests per day, and pays residential rates of \$30 for water and \$30 for solid waste collection. The school pays a set rate of \$4,788 per month for water/wastewater and \$7,000 for solid waste. The teacher housing (seven units) pays \$6,000 for water/wastewater and \$1,500 monthly for solid waste collection. The clinic pays a commercial rate of \$120 for water/wastewater services and \$75 for the solid waste collections.

## Accounting Systems

### **Essential Indicators**

**Yes**   **No**

- The utility has adopted a collection policy and actively follows it.
- The utility bills customers on a regular basis.
- An accounts receivable system is in place which tracks customers and reports past due accounts and amounts.
- An accounts payable system is in place.
- The payroll system correctly calculates payroll and keeps records.
- A cash receipt system is in place that records incoming money and how it was spent.
- The utility has a cash disbursement system that records how money was spent.

### **Sustainable Indicators**

**Yes**   **No**

- A chart of accounts is used that identifies categories in a reasonable, usable manner.
- Monthly bank reconciliations have been completed for all utility accounts.
- The utility has a purchasing system that requires approval prior to purchase, and the approval process compares proposed purchases to budgeted amounts.

The utility's collection policy is outlined in Chapter 38, Section 7 of the City of Nondalton Municipal Code. The policy requires a late payment fee, disconnection and reconnection fees. Section 13 states that arrangements can be made for an alternative payment schedule if it has been agreed upon by the Mayor and one council member; the schedule must be set down in writing and signed by the mayor or council member and customer, and not less than 50 percent of the past-due amount must be paid at the time the payment schedule is agreed to. Bills for the sanitation utility services are mailed to customers the first week of each month. Shut-off notices are mailed for past due accounts on the 21st day. The customer has seven days to make a payment before they are disconnected. The utility clerk additionally calls any past due customers the day before shut-off. The city averages a 90 percent utility bill collection rate. Customers are offered a printed receipt of their payment and all payments are recorded in QuickBooks. The city's cash disbursement system utilizes a chart of accounts, a purchase order process, and a check register. RUBA staff has received a copy of the city's purchasing policy. The system

requires approval prior to purchase. In the approval process purchases are compared to budgeted amounts. The City of Nondalton contracts with a Certified Public Accountant, who has an on-line set of the utility's books, and is available for problem solving and monthly bank reconciliations.

## Tax Problems

### **Essential Indicators**

**Yes No**

- The utility has a system to accurately calculate, track, and report payroll tax liabilities.
- The utility is current on filing tax reports.
- The utility is current on making tax deposits.
- If there are any past due tax liabilities or recorded tax liens, a lien release has been issued or a repayment agreement has been signed and repayments are current.

The city uses QuickBooks to accurately calculate, track and report payroll liabilities. The Internal Revenue Service, as of March 9, 2014, reported that the city is compliant with federal tax filing and deposit requirements. Tax clearance with the State Department of Labor was verified as of March 20, 2014. There is no record of a lien in Division of Community and Regional Affairs' s publication January-February 2014 2013 Lien Watch Report.

## Personnel System

### **Essential Indicators**

**Yes No**

- The utility has a posted workers compensation insurance policy in effect.

### **Sustainable Indicators**

**Yes No**

- The utility has adopted and uses a Personnel Policy, which has been reviewed by an attorney, AML or Commerce for topics and language.
- The utility has adequate written job descriptions for all positions.
- The utility has adopted and follows a written personnel evaluation process that ties the job description to the evaluation.
- The utility has an adequate written hiring process.

- The utility has personnel folders on every employee that contain at least: I-9, Job Application and Letter of Acceptance.
- The utility has a probationary period for new hires that includes orientation, job training/oversight, and evaluations.
- The utility provides training opportunities to staff as needed and available.

All city employees are covered by an Alaska Public Entity Insurance workers compensation insurance policy. Proof of coverage is posted on the public bulletin board in the city building and in the city office as required by AS 23.30.060. The personnel handbook outlines the city's hiring and evaluation process, conditions of employment, a probationary period, disciplinary period and general workplace expectations. The city utilizes a policy that was previously reviewed by DCCED. The city has formal written job descriptions that explain their duties, supervisor and required skills and qualifications. Personnel files were neatly organized, and contained W-4 forms, Employment Eligibility Verification form I-9, and copies of certificates. Office staff and new hires undergo a probationary period and employees have the opportunity to travel for training as needed. City staff has successfully completed three of the 32-hour RUBA utility management trainings this year, including Elected Officials Management and Planning for Rural Utilities Management. Additionally, staff has attended over 25 hours of training through Alaska Public Entity Insurance on-line classes.

## Organizational Management

### **Essential Indicators**

**Yes No**

- The entity that owns the utility is known; the entity that will operate the utility is set.
- The policy making body is active in policy making of the utility.
- The policy making body enforces utility policy.
- The utility has an adequately trained manager.
- The utility has an adequately trained bookkeeper.
- The utility has an adequately trained operator or operators.
- The utility has adopted the necessary ordinances (or rules and regulations) necessary to give it the authority to operate.

### **Sustainable Indicators**

**Yes**   **No**

- The utility has adopted an organizational chart that reflects the current structure.
- The policy making body meets as required.
- The utility complies with the open meeting act for all meetings.

The City of Nondalton owns and operates the community's sanitation system. Ordinances giving the city the necessary operational and regulatory authority are identified in Chapter 36 of its municipal code. The ordinances have been adopted and properly codified. An electronic copy of the ordinances is currently being reviewed by the council. The council holds regular meetings as required, and complies with the Alaska Open Meetings act by posting notices of the meetings at least five days in advance. The bookkeeper, manager and operators are adequately trained. The primary operator is a member of the city council and reports to the council monthly on issues related to utility services.

### Operation of Utility

#### **Essential Indicators**

**Yes**   **No**

- The utility operator(s) are actively working towards necessary certification.
- The utility has a preventative maintenance plan developed for the existing sanitation facilities.

#### **Sustainable Indicators**

**Yes**   **No**

- The manager receives a monthly O&M report from the utility operator and routinely "spot checks" the facilities to see that the maintenance items are being completed.
- The utility has a safety manual and holds safety meetings.
- Utility facilities have not suffered any major problems/outages due to management issues that are unresolved.
- The utility is operating at the level of service that was proposed.
- The operator provides status reports to the manager on a routine basis.
- The utility has completed and distributed its "Consumer Confidence Report".
- The utility is not on the "Significant Non-Complier" (SNC) list.

- The utility maintains an inventory control list.
- The utility maintains a critical spare parts list.

The primary utility operator is adequately certified at the appropriate classification for the city's water treatment and water distribution systems. Two back-up operators will attend operator training in April. The water utility has been on the January and March 2014 SNC lists. The system installed baffles in the contact tank over the summer however; the chlorine pump is causing issues. Bristol Bay Area Health Corporation, remote maintenance worker trip reports also indicated that the storage tank overflow drainage needs adjusting as it appears to be eroding the gravel pad foundation. The city is applying for additional funding for a water tank and water connections to ten more houses. The city has a written safety policy and a safety manual that is kept onsite. In addition, the city has a Site Specific Safety Plan and Accident Prevention Plan for their Water System improvements project that is 18 pages long. It was prepared for the city and Alaska Native Tribal Health Consortium by Summit Consulting Services in June 2008. The utility facility has three competent operators. The facility has not suffered any major problems or outages due to management issues that are unresolved. The utility is operating at the level of service that was proposed. The utility has a water and wastewater critical spare parts list and inventory control which were last updated in 2012.

## Essential Recommendations

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The City of Nondalton has not met all of the essential capacity indicators. In order to meet them, the utility must take the following actions:

- All revenues and expenses for the utility are listed in the utility budget.
- Monthly financial reports are prepared and submitted to the policy making board.
- The utility is receiving revenues (user fees or other sources) sufficient to cover operating expenses.

## Sustainable Recommendations

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The City of Nondalton has not met all of the sustainable capacity indicators. The City of Nondalton can work to improve sustainable indicators as follows:

- YTD expenditures are at a level equal to or below those budgeted.
- The utility is not on the "Significant Non-Complier" (SNC) list.
- The utility is receiving revenues (user fees or other sources sufficient to cover operating expenses and Repair & Replacement (R) costs.
- YTD revenues are at a level equal to or above those budgeted.

## Conclusion and Next Step

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By implementing the above recommendations, the City of Nondalton will put itself into position to better meet unanticipated financial costs and ensure that employees are aware of their conditions of employment.

The City of Nondalton staff was open and helpful with providing information to complete this assessment. They realize the importance of community health, financial stability, effective utility management practice and sustainability.

RUBA staff is available to provide assistance for any sustainable capacity indicators that are not being met.